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Force Reduction Talks Recess

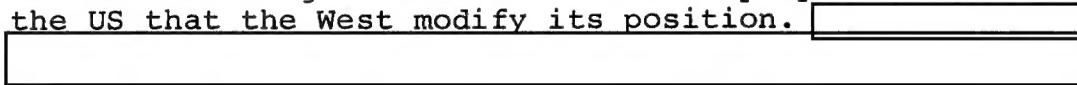
The fifth round of the force reduction talks in Vienna ends tomorrow. There has been no progress in resolving basic differences, and the talks remain stalemated. They will resume in mid-May.

Both East and West marked time during this round. The Soviets and their allies offered a revised scenario for negotiating their proposal of last October that called for initial reductions of 20,000 men by both sides in 1975. They also offered to amend slightly their basic proposal of November 1973. Eastern representatives commented informally that they did not expect the West to take these proposals seriously, and were not surprised when the Western delegations rejected them.

Neither East nor West have shown signs during the round that they are overly disturbed by the lack of progress in Vienna. For their part, the Soviets have never appeared to be under time pressure during the talks. Various Soviet officials have implied that there would be no movement in Vienna until the European security conference in Geneva concludes in a satisfactory manner. In addition, there have been some indications that Moscow is aware that the West might substantially modify its basic proposals, and the Soviets apparently are content to await such an initiative.

The West Europeans, who have expressed some concern about the stalemate in the past, apparently are also willing to wait for a formal proposal from the US that the West modify its position.

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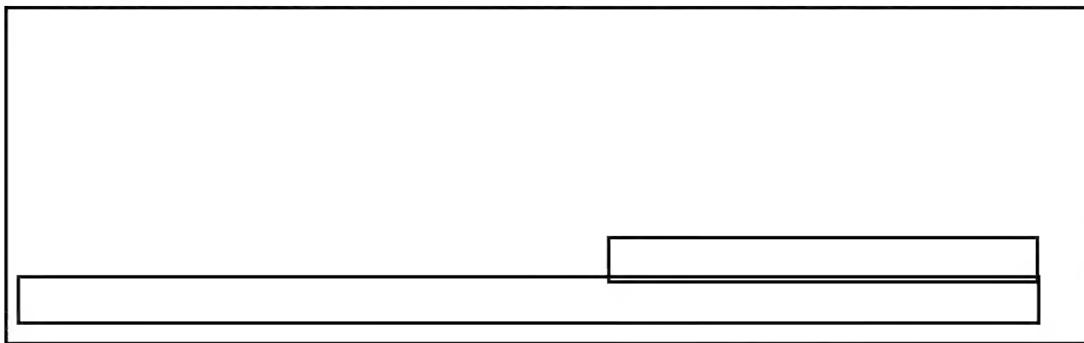
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EC Resolves Farm Policy Problem, at
Least Temporarily

The EC farm and foreign ministers persuaded Paris on April 15 to rescind its import ban on Italian wine as a violation of the common agricultural policy, but renewed farmer demonstrations in France have raised questions as to the viability of the arrangements.

At the meeting, Italy and the EC Commission threatened to charge France before the European Court if the restriction lasted another three days. Under the settlement, France and Italy will be allowed to distill into alcohol about 110 million gallons of surplus wine, with the Common Market paying distillation subsidies worth about \$60 million. The French government will also pay \$1.2 million to store 360 million gallons of surplus Italian wines. In addition, France and Italy agreed to limit future wine production.

The extraordinary council session worked out its solution without provoking controversy over other farm issues, as had been widely feared. The informal meeting of EC foreign ministers at a country house near Dublin last weekend went smoothly and apparently contributed to an atmosphere favoring compromise.



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Consortium Unsettled by Dutch Labor Party Decision

The Dutch Labor Party's recent rejection of the US F-16 aircraft as a lightweight fighter replacement is not binding on the Dutch government, but has unsettled the four-nation consortium which seemed on the verge of declaring for the US plane. The countries are still expected to opt for the F-16, but the decision may now be delayed beyond May 15.

Danish Defense Minister Moller announced on April 15 that the F-104 replacement decision by the Danish cabinet expected that day would be delayed. Moller has said he will wait for a clarification of the situation in the Netherlands before going ahead, and the Danish media have been playing the Dutch Labor Party vote as tantamount to a government decision. From the start of the consortium negotiations, the Danes have been reluctant to assume any kind of leadership role. When the other three countries seem safely back on board the F-16 wagon, Moller will take his recommendation to parliament where it is expected to be approved.

The Danish vacillation, however, has caused uneasiness in Oslo. Norwegian Defense Minister Fostervoll commented to the press on Tuesday that if all four countries do not buy the F-16, the Norwegian commitment to the plane must be reconsidered. In such a case, Norway might not make a decision for a couple of years, according to Fostervoll.

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Irish Finance Minister Ryan Seeks Meeting
with Secretary Simon

Irish Finance Minister Ryan has proposed that he meet with US Treasury Secretary Simon in Washington early next month to discuss, on behalf of the EC, the current economic situation and possible coordination of US-EC economic policies.

Ryan hopes to present EC Commission views on the need for the US to avoid protectionist trade policies and keep interest rates down.

EC finance ministers are generally unenthusiastic about Ryan's initiative but accept the need to maintain close contact with the US. When the council of finance ministers meets on April 21, it is expected to limit carefully what Ryan can say and insist that consultations proceed on an informal basis only.

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Portuguese Cabinet Announces New Economic Measures

The Portuguese cabinet today announced measures designed to give a fresh impetus to the economy and to move Portugal closer to socialism. The measures include further nationalization of Portugal's basic industries, price controls, and a start on agrarian reform.

The measures were formulated in response to a directive from the military Revolutionary Council issued last Saturday. The Council urged that new legislation be passed to increase national economic independence and to involve the workers in the transition to socialism.

Movement leaders fear a conspiracy to quash their revolution with "economic sabotage." Prime Minister Goncalves warned last week that Portugal should prepare itself for a possible international "economic boycott." The Armed Forces Movement wants not only to reduce Portugal's dependence on foreign support, but also to break the grip of the small number of wealthy families who ran the Portuguese economy during the Salazar and Caetano regimes.

The Movement cannot blame all its economic problems on the oligarchy, however. Dissatisfied workers have taken over several factories, farm laborers have seized large estates, strikes have been threatened, and production has been decreasing. By appealing to the workers for increased production, the Movement hopes to involve them in the economic process by encouraging worker control of production coordinated by central planning organs and by instituting price controls intended to benefit the working class.

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The government's new economic measures include:

- The immediate nationalization of Portugal's transportation lines, electricity companies, and firms involved in the petroleum and steel industries.
- A study of applying nationalization measures to the tobacco, cement, beer, fertilizer, cellulose, petrochemical, pharmaceutical, ship-building, and heavy machinery industries.
- The initiation of a program of agrarian reform that limits owners of irrigated farmland to 125 acres and extends credit to small and medium farmers.
- The formation of a program of national employment to create new jobs within two months.
- The institution of a price control policy that will fix prices on essential foods until the end of the year.

As in the nationalization of banks and insurance companies last month, foreign businesses are largely unaffected by the latest measures. One of the companies placed under government control is 25 percent foreign owned, but the foreign interest will not be affected. Government officials have repeatedly gone out of their way to reassure foreign businessmen and to encourage foreign investment.

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